Report

of the

Examination of

The EPIC Life Insurance Company

Madison, Wisconsin

As of December 31, 2001

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Jorge Gomez, *Commissioner*

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March 6, 2003

Honorable Alfred W. Gross
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Honorable Jorge Gomez
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53702

Commissioners:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

THE EPIC LIFE INSURANCE COMPANY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of the company was conducted in 1997 as of December 31, 1996. The current examination covered the intervening period ending December 31, 2001, and included a review of such 2002 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations, and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

Independent actuaries were engaged under a contract with the Office of the Commissioner of Insurance. They reviewed the adequacy of aggregate life and accident and health reserves, dividends to policyholders, cash flow testing, deferred and uncollected premiums for life insurance, due and uncollected premiums for health insurance, and in force testing. The results of their work were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuaries' conclusion.

II. HISTORY AND PLAN OF OPERATION

The EPIC Life Insurance Company (EPIC) was organized in 1984 as a wholly owned subsidiary of Wisconsin Physicians Service Insurance Corporation (WPS), a Wisconsin health service insurance corporation. An examination of WPS was performed concurrently with this examination. EPIC's primary business is group life, dental, vision, and disability insurance as well as voluntary coverage for the same products and conversion policies to individuals. The company has targeted fully insured groups as well as offering administrative services only (ASO) products to large employer groups. Business is generated through independent agents and sales staff.

The company is licensed in the following states:

Arizona	Michigan	Oregon
Arkansas	Minnesota	South Carolina
Colorado	Missouri	South Dakota
Florida	Nebraska	Tennessee
Illinois	Nevada	Texas
Indiana	North Dakota	Virginia
Iowa	Ohio	West Virginia
Kansas	Oklahoma	Wisconsin
Maryland		

The company writes direct premium in the following states:

Wisconsin	$14,798,593	72.55%
Indiana	2,602,074	12.75
Minnesota	1,376,364	6.75
Illinois	1,105,190	5.42
All others	515,705	2.53
	$20,397,926	100.00%

The following chart is a summary of the net insurance premiums written by the company in 2001. The growth of the company is discussed in the Financial Data section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Accident and Health:				
Group	$18,509,837	$ 816,587	$ 9,892,142	$ 9,434,281
Other	30,111		30,111	
Life:				
Ordinary	8,605	573		9,178
Group	2,012,094	963,877	145,285	2,830,687
Total All Lines	$20,560,647	$1,781,037	$10,067,538	$12,274,146

Administrated Services Only (ASO) Business

EPIC reported that it was reimbursed $10.4 million for ASO claims by self-insured employers in 2001. EPIC's revenue for providing these services was $551,991, while expenses allocated to this line totaled $583,866, resulting in a net loss on ASO business of $31,875.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of seven members who are appointed annually. Officers are appointed at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. EPIC’s outside board members currently receive $400 per meeting for serving on the board. Board members who are also employees receive no additional compensation.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
William Bathke Monona, WI	Executive Vice President and COO Wisconsin Physicians Service Insurance Corp.	2004
Marvin Brickson Madison, WI	Retired President and Executive Secretary Madison Federation of Labor, AFL-CIO	2004
Timothy Heaton Oregon, WI	Vice President and Chief Operating Officer The EPIC Life Insurance Company	2004
Edwin Hill, Jr. Madison, WI	Retired Vice President Anchor Bank	2004
Leland Kauth Wisconsin Rapids, WI	Public Education Administration Consultant	2004
Eugene Nordby, M.D. Madison, WI	Orthopedic Surgeon; Associate Clinical Professor, UW School of Medicine	2004
James Riordan (Ex Officio) Madison, WI	President and CEO Wisconsin Physician Service Insurance Corp.	2004

Officers of the Company

The officers appointed by the board of directors and serving at the time of this examination are as follows:

Name	Office	Compensation
James R. Riordan	President and Treasurer	$943,681*
William T. Bathke	Secretary	451,532*

* Compensated by WPS. Company started a Supplemental Executive Retirement Plan in 2001 and the compensation listed includes amounts to catch-up for all years of service.

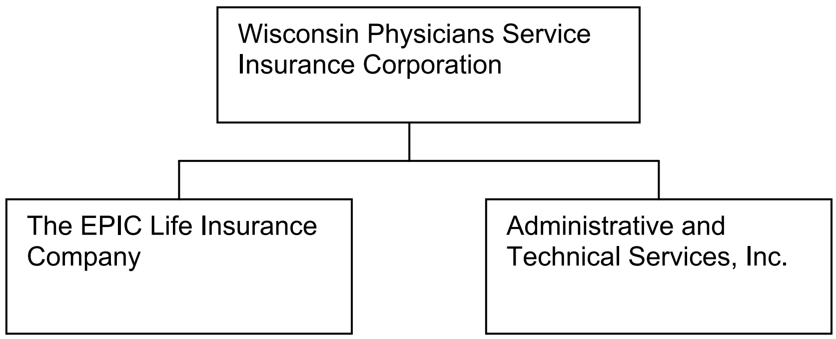
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees appointed by the board at the time of the examination.

IV. AFFILIATED COMPANIES

The EPIC Life Insurance Company (EPIC) is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of EPIC follows the organizational chart.

Organizational Chart
As of December 31, 2001



Wisconsin Physicians Service Insurance Corporation (WPS)

WPS owns 100% of EPIC. WPS is a Wisconsin service insurance corporation offering hospital, medical, and dental coverage for groups as well as claims administration for self-insured employers. WPS assumes a portion of EPIC's health business. Many of EPIC's administrative functions are provided by WPS. As of December 31, 2001, WPS's audited financial statement reported assets of $150,848,473, liabilities of $91,731,001, and capital and surplus of $59,117,472. Operations for 2001 produced net income of $5,561,907.

Administrative and Technical Services, Inc. (Adtec)

Adtec is a wholly owned subsidiary stock corporation of WPS that was incorporated on September 19, 1979. It specializes in providing office and light industrial temporary personnel, and contract programming services. As of December 31, 2001, Adtec's audited financial statements reported assets of $3,072,288, liabilities of $228,854, and total equity of $2,843,434. Operations for 2001 produced a net loss of $222,306.

Affiliated Agreements

WPS has tax-allocation agreements with EPIC and Adtec. In addition, WPS and EPIC have a service and supplies agreement, under which WPS provides management, investment, administrative, and other services and supplies. EPIC annually pays WPS a mutually agreed upon reasonable amount for general management services and overhead costs associated with incidental items used by company personnel in providing the required services and supplies. All other services provided, except for investment services, EPIC shall reimburse WPS for the actual cost of the services provided. For investment services, WPS receives one-eighth of one percent of invested portfolio at each quarter end. WPS and Adtec have a similar service and supplies agreement.

V. REINSURANCE

The company's major reinsurance treaties in force at the time of the examination are summarized below. The contracts contained proper insolvency provisions.

Affiliated Ceding Contracts

The most significant treaty is a 100% quota share agreement with WPS. EPIC cedes 100% of its medical policies to WPS.

Non-Affiliated Ceding Contracts

The company cedes group life and accidental death and dismemberment (AD&D) under an automatic excess of loss contract with Hartford Life and Health Insurance Company. The group life coverage is $425,000 in excess of $75,000 for each insured. The AD&D coverage is $500,000 with a retention of $75,000 for each insured. The retention can be a combination of life and AD&D coverages.

The company cedes its former North Central Health Protection Plan (NCHPP) business to American National Insurance Company. This is an excess of loss contract and covers $1,850,000 in excess of $150,000.

The company has a quota share reinsurance agreement with American Disability Reinsurance Underwriters Syndicate (ADRUS) which is in run-off, with only 17 claims left. EPIC retains 20% and ADRUS pays 80% of the claims. The long-term disability claims occurred while EPIC was ceding to this pool. A majority of the original reinsurers are rated A- or higher by AM Best.

Affiliated Assuming Contracts

The company has a retrocession quota share agreement with its parent WPS. Under this agreement EPIC assumes 100% of the group medical business assumed by WPS from Security Life Insurance Company of America, Congress Life Insurance Company until December 31, 1997 and from January 1, 1998 to present from Massachusetts General Life Insurance Company (now known as Conseco Life Insurance Company) which is administered by Corporate Benefits Services of America, Inc. (CBSA.) The retrocession is 100% except that WPS is responsible for losses if the loss ratio of the business exceeds 71%.

Non-Affiliated Assuming Contracts

EPIC provides catastrophic loss coverage involving group life insurance for the Wisconsin public employees' under a reinsurance contract with Minnesota Mutual Insurance Company.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported in the December 31, 2001, annual statement to the Commissioner of Insurance. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

The EPIC Life Insurance Company
Assets
As of December 31, 2001

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$21,028,310	$	$21,028,310
Cash	29,332		29,332
Short-term investments	1,921,374		1,921,374
Reinsurance ceded:			
Amounts recoverable from reinsurers	107,599		107,599
Electronic data processing equipment and software	14,122		14,122
Life insurance premiums and annuity considerations deferred and uncollected on in force business	223,584		223,584
Accident and health premiums due and unpaid	51,997		51,997
Investment income due and accrued	297,288		297,288
Receivable from parent, subsidiaries and affiliates	2,425		2,425
Amounts receivable relating to uninsured accident and health plans	782,577	911	781,666
Other assets nonadmitted:			
Furniture and equipment	89,270	89,270	
Leasehold improvements	36,833	36,833	
Write-ins for other than invested assets:			
Prepaid Expenses	1,186	1,186	
Due From Reinsurers	978,515		978,515
Other Receivables	635,868	16,712	619,156
Total Assets	$26,200,280	$144,912	$26,055,368

The EPIC Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2001

Aggregate reserve for life policies and contracts	$812,358
Aggregate reserve for accident and health policies	218,214
Policy and contract claims:	
Life	248,600
Accident and health	1,278,463
Premiums and annuity considerations received in advance	777,549
Policy and contract liabilities not included elsewhere:	
Provision for experience rating refunds	121,192
Interest maintenance reserve	100,751
Commissions to agents due or accrued	343,522
Commissions and expense allowances payable on reinsurance assumed	1,004,249
General expenses due or accrued	1,171,058
Taxes, licenses, and fees due or accrued, excluding federal income taxes	46,294
Federal and foreign income taxes	193,675
Amounts withheld or retained by company as agent or trustee	5,238
Remittances and items not allocated	738,420
Miscellaneous liabilities:	
Asset valuation reserve	59,811
Payable to parent, subsidiaries and affiliates	499,726
Liability for amounts held under uninsured accident and health plans	29,503
Write-ins for liabilities:	
Amounts payable for Reinsurance Ceded	(15,725)
Escheat Liability	44,805
Total Liabilities	7,677,703
Common capital stock	2,000,000
Gross paid in and contributed surplus	11,000,000
Unassigned funds (surplus)	5,377,665
Surplus	18,377,665
Total Liabilities, Surplus, and Other Funds	$26,055,368

The EPIC Life Insurance Company
Summary of Operations
For the Year 2001

Premiums and annuity considerations for life and accident and health policies and contracts	$12,274,146
Net investment income	1,340,441
Amortization of interest maintenance reserve	21,399
Commissions and expense allowances on reinsurance ceded	443,968
Miscellaneous income:	
Write-ins for miscellaneous income:	
Miscellaneous Income	8,325
Total income items	14,088,279
Death benefits	1,987,611
Disability benefits and benefits under accident and health policies	6,330,470
Increase in aggregate reserve for life and accident and health policies and contracts	(257,399)
Subtotal	8,060,682
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	955,020
Commissions and expense allowances on reinsurance assumed	893,187
General insurance expenses	2,532,984
Insurance taxes, licenses, and fees excluding federal income taxes	(16,235)
Increase in loading on deferred and uncollected premiums	26
Total deductions	12,425,574
Net gain from operations after dividends to policyholders and before federal income taxes	1,662,705
Federal income taxes incurred (excluding tax on capital gains)	556,226
Net Income	$ 1,106,479

The EPIC Life Insurance Company
Cash Flow
As of December 31, 2001

Premiums and annuity considerations for life and accident and health policies and contracts	$12,058,697		
Net investment income	1,380,327		
Commissions and expense allowances on reinsurance ceded	447,224		
Write-ins for miscellaneous income:			
Miscellaneous Income	11,929		
Total		$13,898,177	
Death benefits	2,167,023		
Disability benefits and benefits under accident and health policies	6,692,404		
Subtotal	8,859,427		
Commissions on premiums, annuity considerations, and deposit type contract funds	943,505		
Commissions and expense allowances on reinsurance assumed	715,486		
General insurance expenses	3,082,774		
Insurance taxes, licenses and fees, excluding federal income taxes	(1,113)		
Subtotal	13,600,079		
Federal income taxes (excluding tax on capital gains)	35,613		
Total deductions		13,635,692	
Net cash from operations			$ 262,485
Proceeds from investments sold, matured, or repaid:			
Bonds		6,032,591	
Cost of investments acquired (long-term only):			
Bonds		6,187,309	
Net cash from investments			(154,718)
Cash applied for financing and miscellaneous uses:			
Other applications		356,975	
Net cash from financing and miscellaneous sources			(356,975)
Net change in cash and short-term investments			(294,208)
Reconciliation			
Cash and short-term investments, December 31, 2000			2,199,914
Cash and short-term investments, December 31, 2001			$1,950,706

The EPIC Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2001

Assets		$26,055,368	
Less liabilities		7,677,703	
Adjusted surplus			$18,377,665
Examination adjustments			282,427
Adjusted surplus per examination			18,660,092
Annual premium:			
Individual life and health	$ 8,936		
Factor	15%		
Total		1,340	
Group life and health	12,049,761		
Factor	10%		
Total		1,204,976	
Compulsory surplus (subject to a $2,000,000 minimum)			2,000,000
Compulsory surplus excess or (deficit)			$16,660,092
Adjusted surplus per examination			$18,660,092
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million with a minimum of 110%)			2,800,000
Security surplus excess or (deficit)			$15,860,092

The EPIC Life Insurance Company
Reconciliation and Analysis of Surplus
For the Five-Year Period Ending December 31, 2001

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	1997	1998	1999	2000	2001
Capital and surplus, beginning of year	$12,902,101	$15,577,875	$16,257,151	$16,001,103	$17,270,744
Net income	1,151,147	490,281	(604,480)	1,190,220	1,106,479
Change in net unrealized capital gains or (losses)	60,027	552,671	(993,564)		
Change in net deferred income tax					(34,749)
Change in non-admitted assets and related items	513,098	(56,042)	121,755	70,024	58,751
Change in asset valuation reserve	(48,498)	(307,634)	1,220,241	9,397	(23,380)
Surplus adjustments:					
Paid in	1,000,000				
Capital and surplus, end of year	$15,577,875	$16,257,151	$16,001,103	$17,270,744	$18,377,665

The EPIC Life Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2001

The following is a summary of NAIC Insurance Regulatory Information System (IRIS) results for the period under examination. Exceptional ratios are denoted with asterisks. A discussion of the exceptional ratios may be found after the IRIS ratios.

	Ratio	1997	1998	1999	2000	2001
#1	Net change in capital & surplus	13%	4%	-2%	8%	6%
#2	Gross change capital & surplus	21	4	-2	8	6
#3	Net income to total income	2	1	-2*	8	8
#4	Comm. and Exp. to Prem. and Deposits	Discontinued				
#5	Adequacy of investment income	999*	999*	999*	999*	999*
#6	Non-admitted to admitted assets	1	1	1	1	1
#7	Total real estate & mortgage loans to cash & invested assets	0	0	0	0	0
#8	Total affiliated inv. to capital & surplus	0	0	0	0	0
#9	Surplus relief	-37	-27	-2	-1	-2
#10	Change in premium	1	-3	-48*	-62*	7
#11	Change in product mix	0	0	1	2	0.3
#12	Change in asset mix	1	1	3	1	0.1
#13	Change in reserving ratio	92*	-99*	116*	-99*	74*

Ratio No. 3 compares net income to total income. The unusual result for Ratio No. 3 reflects the company's net loss for the year and changes in premium volume.

Ratio No. 5 compares the net investment income to the increase in reserves from tabular interest. The exceptional results for Ratio No. 5 were due to the company being primarily a group health insurer. Because the company's business is not written on a level-premium basis like individual life insurance, there are no tabular reserves. Because of the nature of the company's business, the exceptional results are not an indication of insufficient reserves.

Ratio No. 10 reviews the change in premium from the prior year. In 1999 and 2000 the company had an exceptional result for Ratio No. 10 due to a decrease in the amount of premium. The company's change in premium was due to writing less new policies and terminating or nonrenewing unprofitable business.

Ratio No. 13 reviews the change in the reserving ratio from the prior year. The unusual results for Ratio No. 13 is impacted by the company's low level of individual life business. Negative results may be attributed to the company exiting a block of business, and thus changing the reserving amounts.

Growth of The EPIC Life Insurance Company

Year	Admitted Assets	Liabilities	Surplus
1997	$36,325,909	$20,748,034	$15,577,875
1998	39,294,624	23,037,473	16,257,151
1999	29,026,046	13,024,943	16,001,103
2000	25,481,961	8,211,217	17,270,744
2001	26,055,368	7,677,703	18,377,665

Life Insurance In Force (in thousands)

Year	Gross Direct And Assumed	Ceded	Net
1997	$1,165,641	$17,305	$1,148,336
1998	1,209,689	22,612	1,187,077
1999	1,021,920	91,494	930,426
2000	815,849	60,538	755,311
2001	914,987	59,390	855,597

Accident and Health

Year	Net Premiums Earned	Net Losses Incurred	Commissions Incurred	Other Expenses Incurred	Combined Loss and Expense Ratio
1997	$60,489,404	$45,168,353	$13,101,826	$4,788,853	104.3%
1998	58,996,354	45,188,802	11,777,009	5,145,166	105.3
1999	29,123,890	23,944,518	3,733,455	5,422,892	113.0

2000	9,870,439	4,804,141	1,240,360	3,591,931	97.6
2001	9,422,590	6,315,971	1,247,482	1,806,160	99.4

Since the prior examination as of 1996, assets have decreased by 27.9%, while net worth has increased by 42.4%. The company has reported operating gains in four out of the last six years. The company meets minimum surplus requirements.

The company's surplus increased each year under review, with the exception of 1999 when the surplus decreased approximately $250,000. The increase in surplus in 2001 is mainly due to improved underwriting results. Life insurance in force has continued to decrease since the company is exiting unprofitable blocks of business. The company's combined ratio was around 98% for the last two years of the examination. The company had a combined ratio of 97.6% in 2000, and 113.0% in 1999, which coincided with the high net income and low net income respectively for those years.

Reconciliation of Surplus per Examination

The following schedule is a reconciliation of surplus between that reported by the company and as determined by this examination:

	Increase	Decrease	
Surplus December 31, 2001, per annual statement			$18,377,665
Commissions Payable	$282,427	$	
Net increase	$282,427	$	282,427
Surplus December 31, 2001, per examination			$18,660,092

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were four specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Premium Income—It is recommended that the company report required fees as premiums in future annual statements.

   Action—Compliance.

2. Reinsurance Contracts—It is recommended that the company maintain signed copies of all reinsurance agreements which are in effect.

   Action—Compliance.

3. Reinsurance Contracts—It is recommended that the company report the correct name of its reinsurers in Schedule S of future annual statements.

   Action—Noncompliance, see comments in the summary of current examination results.

4. Remittances and Items Not Allocated—It is recommended that the company perform a reconciliation of this liability at least quarterly.

   Action—Compliance.

Summary of Current Examination Results

Executive Compensation

The examination review of the Report on Executive Compensation (Form OCI-040) for 2000 noted that the form is not being completed correctly. The review of the compensation amounts being reported indicated that amounts contributed by the company in connection with the Supplemental Executive Retirement Plan (SERP) were not included on Form OCI-040 for executives that participate in SERP. It is recommended that the company properly include all compensation amounts paid or accrued for when completing the Report on Executive Compensation (Form OCI-040).

Bonds

There is one security on the company's annual statement labeled with a "Z" designation that was acquired more than 120 days prior to year end 2001. The security was found to have a "W" designation on the NAIC Securities and Valuation Office (SVO) diskette in 2001, meaning that the security was found to have ratings from two nationally recognized statistical rating organizations (NRSRO). In this case, the company should have designated the security as provisionally exempt (PE), rather than as a "Z". It is recommended that the company comply with the Purposes and Procedures Manual of the NAIC Securities Valuation Office and report correct designations for each security on future annual statements.

The company does not have a formal policy for monitoring provisionally exempt (PE) designated securities. The company takes the designations from the quarterly SVO diskettes. According to the Part Four, Section (1)a of the Purposes and Procedures Manual of the NAIC Securities Valuation Office it is the responsibility of the insurer to maintain documentation that the PE securities meet the exemption criteria. Since the company does not monitor the PE securities the company may not be filing with the SVO securities that have lost there PE status within 120 days of failure to meet conditions set for PE designations. It is recommended that the company comply with the Purposes and Procedures Manual of the NAIC Securities Valuation Office and maintain documentation for the PE designated securities and make sure that any securities that no longer qualify for the provisionally exempt designation be filed within 120 days of such failure, as if the securities had never been provisionally exempt.

Commissions

The company over accrued for commissions payable by $282,427, which is material. An adjustment was made to increase surplus and decrease accrued commissions by that amount (See the section of this report titled Reconciliation of Surplus per Examination.) It is recommended that the company properly accrue for commissions payable in future annual statements.

Reinsurance Contracts

During the writing up of the reinsurance contracts, the examiner noted the name of one of the reinsurers was incorrectly reported on Schedule S Part 3 Section 2. The company listed the reinsurer as American United Life Insurance but the name should have been American Disability Reinsurance Underwriters Syndicate. It is again recommended that the company report the correct name of its reinsures in Schedule S of future annual statements.

VIII. CONCLUSION

There was one adjustment as a result of the examination to decrease accrued commissions payable and increase surplus. The company complied with three of the four prior examination recommendations. The fourth prior examination recommendation on reporting the correct name of reinsurer was repeated. There were four additional recommendations on proper reporting of executive compensation, proper reporting of an investment, and proper accrual for commissions.

Since the prior examination as of 1996, assets have decreased by 27.9%, while net worth has increased by 42.4%. The company has reported operating gains in four out of the last five years. The company's surplus increased each year under review, with the exception of 1999 when the surplus decreased approximately $250,000. The increase in surplus in 2001 is mainly due to improved underwriting results. Life insurance in force has continued to decrease since the company is writing less and is exiting unprofitable blocks of business. The company's combined ratio was around 98% for the last two years of the examination. The company had a combined ratio of 97.6% in 2000, and 113.0% in 1999, which coincided with the high net income and low net income respectively for those years.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 23 - Executive Compensation—It is recommended that the company properly include all compensation amounts paid or accrued for when completing the Report on Executive Compensation (Form OCI-040).

2. Page 23 - Bonds—It is recommended that the company comply with the Purposes and Procedures Manual of the NAIC Securities Valuation Office and report correct designations for each security on future annual statements.

3. Page 23 - Bonds—It is recommended that the company comply with the Purposes and Procedures Manual of the NAIC Securities Valuation Office and maintain documentation for the provisionally exempt designated securities and make sure that any securities that no longer qualify for the provisionally exempt designation be filed within 120 days of such failure, as if the securities had never been provisionally exempt.

4. Page 24 - Commissions—It is recommended that the company properly accrue for commissions payable in future annual statements.

5. Page 24 - Reinsurance Contracts—It is again recommended that the company report the correct name of its reinsurers in Schedule S of future annual statements.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
David A. Grinnell	Insurance Financial Examiner
DuWayne A. Kottwitz	Insurance Financial Examiner
Jean M. Suchomel	Insurance Financial Examiner
Sarah M. Haeft	Insurance Financial Examiner

Respectfully submitted,

Kerri L. Miller
Examiner-in-Charge